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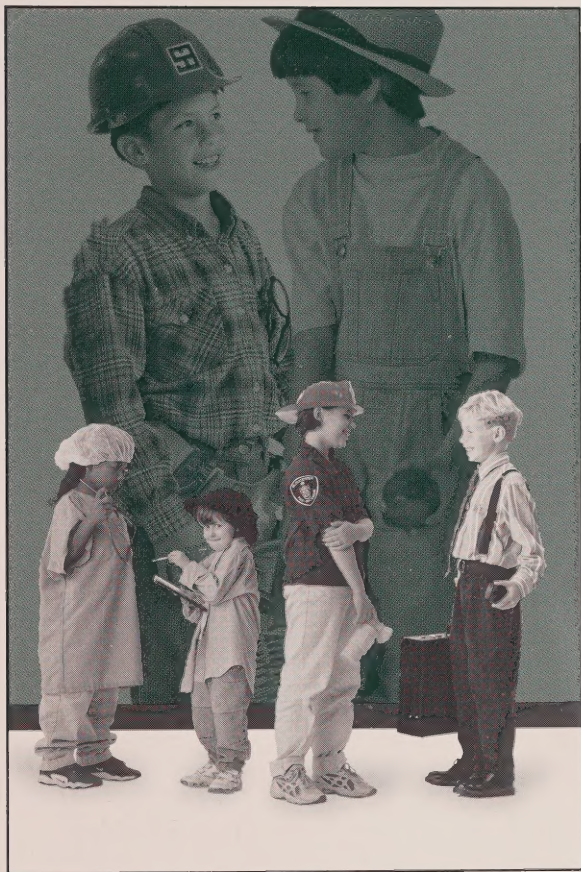
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The Canada education savings
grant

CAI
HR
- 1998
C12

The Canada Education SAVINGS GRANT



Human Resources
Development Canada

Développement des
ressources humaines Canada

Canada

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(Note: financial estimates provided in this publication are estimates, for guidance only. Rates of return will vary.)



INTRODUCTION

One of the best ways to ensure a child's future is to save for their education – and the Government of Canada can be a valuable partner in helping to meet the costs of a child's post-secondary education.

In 1998, the Government of Canada announced an important new program – **The Canada Education Savings Grant**. This Grant provides financial assistance to Canadians who select a **Registered Education Savings Plan** to save for a child's post-secondary education.

Through the Canada Education Savings Grant (CESG), the Government of Canada will provide an additional 20 per cent on the first \$2,000 you save each year.* This amounts to annual and lifetime CESG room of \$400 and \$7,200 respectively.

The Canada Education Savings Grant, along with the latest improvements to Registered Education Saving Plans, now offers Canadians an attractive way to save for a child's post-secondary education.

*Certain age restrictions apply for children aged 16 and 17 (see page 9).



EDUCATION: A NECESSARY INVESTMENT IN TOMORROW'S JOB MARKET

Students and parents face three major realities today:

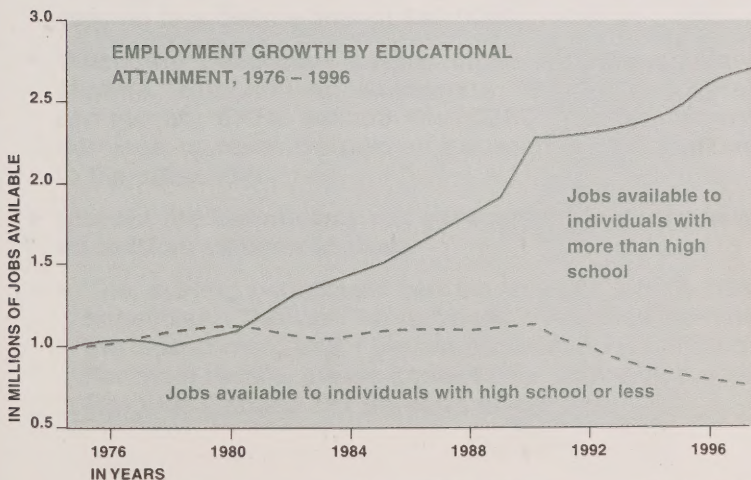
More and more jobs require a post-secondary education.

Post-secondary education is costly.

It is important to start saving early for a child's post-secondary education.

Years ago it didn't take a lot of education to get a job. Times have changed. According to career experts, about two-thirds of all new jobs require more than a high school education.

In fact, business and industry need people who can keep learning throughout their careers. In today's competitive marketplace Canadians need to continually acquire and develop more skills.





Higher skills usually pay off in real benefits. More jobs are available to people with a post-secondary education.

More and more Canadians understand the importance of education: there are now almost a million full-time students in universities, colleges, vocational and technical institutes and CEGEPs. Another 430,000 are part-time students.

These students know that many of the costs of post-secondary education have increased rapidly. There are tuition fees and other costs such as books, lab fees, supplies and living expenses

Today, depending on the province in which one chooses to study, community college tuition could be free or cost as much as \$3,000 a year. Tuition costs for an undergraduate university program can range from \$2,000 to \$9,000 a year.



REGISTERED EDUCATION SAVINGS PLANS (RESPs) – THINKING AHEAD

An RESP is a tax-sheltered means of saving to finance a child's post-secondary education. It is a contract between a promoter and a subscriber. The promoter agrees to administer the plan and the subscriber agrees to contribute funds on behalf of a named beneficiary(ies). Once the beneficiary commences post-secondary studies, the earnings in the plan are used to pay for tuition and other expenses related to their studies.

The new Canada Education Savings Grant is paid on the basis of contributions made to Registered Education Savings Plans (RESPs). You should also be aware that RESPs have significantly improved over recent years.

RESP improvements include:

- Increased annual and lifetime contribution limits. Parents, grandparents, relatives and friends can now contribute on behalf of a beneficiary a combined total of \$4,000 a year up to a lifetime limit of \$42,000;
- When the beneficiary begins full-time post-secondary studies, Educational Assistance Payments (EAPs) commence; EAPs include the CESG and investment earnings; no taxes are paid on the return of contributions to the subscriber.
- **Should the beneficiary not pursue a post-secondary education, options include:**
 - The existing beneficiary can be replaced with a new beneficiary. This can be achieved if the plan permits the replacement and if certain conditions are satisfied. For more details, please contact your promoter or your Revenue Canada Tax Services office.



- RESPs now permit payments of the plan's investment earnings, including earnings on the grant, to the subscriber. These payments are referred to as Accumulated Income Payments (AIPs);
- RESPs also now permit the rollover of AIPs to a subscriber's, or subscriber's spousal, Registered Retirement Savings Plan (RRSP). In fact, if your plan permits and if you have the contribution room in your RRSP, you can roll over as much as \$50,000 starting in 1999.

Note: In order to make an AIP to the subscriber or rollover of the AIP to a subscriber's, or subscriber's spousal, RRSP, the plan must have been in existence for at least 10 years, all beneficiaries past and present must be at least 21, not pursuing post-secondary education, and the subscriber must be a Canadian resident.

RESP Investments

- If you select an Individual type of RESP (see page 7), investments may be made in basically the same way as for RRSPs. However, there is no limit on foreign content.

RESP Tax Matters

- Contributions are not tax deductible; but investment earnings inside an RESP are tax sheltered;
- Once enrolled in an eligible post-secondary school, Educational Assistance Payments may start;
 - these payments are taxable income for the beneficiary;
 - however, because a student typically has a modest income while studying, he or she will likely pay little or no tax on the EAP.
- Accumulated Income Payments, if not rolled over to a subscriber's or subscriber's spousal RRSP, are taxed at the subscriber's normal tax rate plus twenty per cent.



Types of RESPs

As with any major purchase, it is important to investigate before you buy. Issues that you may wish to consider when selecting an RESP include: fees; security of investments; rates of return on investments; and flexibility of the terms of the plan (e.g. beneficiary substitution).

There are two main types of RESPs – Individual and Group. Within the individual category are non-family and family plans.

Individual Non-Family RESP

The terms of this RESP give the subscriber the freedom to determine when and how much to contribute to the plan, and when to direct the promoter to pay Educational Assistance Payments (EAPs). Under this arrangement you can have only one beneficiary at any time. The beneficiary does not have to be related to the subscriber and can be over 21 when named.

Individual Family RESP

This is similar to the Individual Non-Family RESP. It can have more than one beneficiary, but all beneficiaries (even if only one is named) have to be related to the subscriber by blood or adoption and must be under 21 when named. Contributions can only be made until a beneficiary turns 21. EAPs may be shared among beneficiaries no matter for whom the capital was contributed.

Group RESP

Group plans are operated on a pooling principle where the beneficiary named under a contract by a subscriber will receive Educational Assistance Payments when enrolled in a qualifying program. Note, however, that if the beneficiary fails to qualify for payment, the earnings are distributed among other beneficiaries of the same age who do qualify.



Regardless of the type of plan you choose, contributions must stop 21 years after the year the plan was opened, and the plan must terminate by the 25th year after the year the plan was opened.

RESP Promoters

RESPs are provided through a number of organizations such as banks, brokerage houses, credit unions, scholarship foundations, insurance, mutual fund, and trust companies. Detailed RESP promoter lists are available from the CESG program at:

Toll-free:

1-888-276-3624 (English)

1-888-276-3632 (French)

Or visit our website at:

<http://www.hrdc-drhc.gc.ca/cesg> (English)

<http://www.hrdc-drhc.gc.ca/scee> (French)



THE CANADA EDUCATION SAVINGS GRANT (CESG)

How the CESG Works

- The amount of Canada Education Savings Grant is 20 per cent of the first \$2,000 saved in RESPs on behalf of the beneficiary each year;
- This equals a yearly CESG of \$400, with a lifetime maximum of \$7,200 per beneficiary;
- If you don't contribute enough to earn the entire \$400 CESG in a given year, grant room can be carried forward to future years. This means your grant can be as much as \$800 in a given year depending on the amount and timing of contributions;
- The grant room accumulates whether or not the child is an RESP beneficiary.

CESG Eligibility Requirements

- The beneficiary has to have a Social Insurance Number to obtain the CESG;
- The beneficiary has to be a Canadian resident at the time of the contribution;
- Contributions have to be made prior to the end of the calendar year in which the beneficiary turns 17;
- Beneficiaries aged 16 and 17 will be eligible if at least one of the following conditions is met:
 - \$2,000 or more was contributed to RESPs for the beneficiary by the end of the year the beneficiary turned 15; or
 - \$100 or more was contributed in each of any four years in respect of the beneficiary before the end of the year the beneficiary turned 15.



- In addition, as a transitional measure, the beneficiary turning 16 or 17 in 1998, or 17 in 1999, will be eligible if he or she was the beneficiary of an RESP during any four years before 1998.

Reallocation of the CESG

- CESGs paid into family plans (i.e. plans with multiple beneficiaries, all of whom are related to the subscriber by blood or adoption) on contributions made in respect of a particular beneficiary can be used for the education of other beneficiaries under the plan, subject to certain limits.
- CESGs paid to an RESP that is part of a group arrangement may, under certain circumstances, be reallocated to other RESPs in the group arrangement.

Replacing a Beneficiary

- If you wish to replace a beneficiary, the new beneficiary must be a brother or sister and be under 21, or both beneficiaries must be under 21 and related to you by blood or adoption.
- The beneficiary substitution must be made in the same RESP to keep the CESG.
- If an RESP containing CESG is transferred to another RESP, all assets in the plan must be transferred on behalf of the same beneficiary in order to keep the CESG.

Repayment of the CESG

- If the beneficiary does not pursue post-secondary education and a replacement beneficiary cannot be found, the CESG is repaid to the Government of Canada.
- Withdrawals from an RESP for purposes other than an EAP may result in the forfeiture of the CESG to the Government of Canada.



INSTRUCTION SHEET

- A- Complete the attached SIN application form and provide us with the required document(s). THE DOCUMENT(S) YOU PROVIDE MUST BE ORIGINAL. Photocopies are not acceptable unless certified by a notary public, a commissioner of oaths or a HRCC officer. See below for the required document(s).

- B- If you are replacing your SIN card, you must pay a \$10.00 fee. Make your personal cheque, bank draft or money order payable to the RECEIVER GENERAL FOR CANADA. You may pay in cash at a Human Resource Centre of Canada. Please note the fee is subject to change without notice. DO NOT MAIL CASH.

We encourage you to take your application and document(s) to the nearest Human Resource Centre of Canada. Your application will be certified and your document(s) will be returned to you immediately. If this is inconvenient, you may mail your application and document(s) to the address below. Your document(s) will be returned with your SIN card. **HOWEVER, IN THE UNLIKELY EVENT THEY ARE NOT RETURNED, PLEASE TAKE NOTE THAT WE ARE NOT ACCOUNTABLE FOR LOST DOCUMENTS.**

Social Insurance Registration
P.O. Box 7000
BATHURST, N.B.
E2A 4T1

DOCUMENTS REQUIRED (subject to change)

- You must provide one of the documents listed in 1 below.
- If the name you are now using is different than the name appearing on that document, you must also provide one of the documents listed in 2 below. If you cannot provide any of these documents, call your Human Resource Centre of Canada. They can suggest other documents.



APPLICATION FOR A:

- ☐ FIRST SOCIAL INSURANCE NUMBER CARD (fee not required)
☐ REPLACEMENT CARD (fee required)
☐ CHANGE OF NAME(S) ON CARD (fee not required)
☐ CHANGE OF STATUS (fee not required)
☐ OTHER CHANGES (no card will be issued and no fee required)

FINDER NO:
DO NOT WRITE IN THIS AREA

INFORMATION CONCERNING THE APPLICANT. PLEASE PRINT CLEARLY.

NAME TO BE SHOWN ON CARD		First Name		Middle Name (if wanted on card)		Family Name	
1							
2	DATE OF BIRTH	Day	Month	Year	3	SEX	<input type="checkbox"/> Male <input type="checkbox"/> Female <input type="checkbox"/> Check block if you are a twin
4	MOTHER'S FULL NAME AT HER BIRTH			5		FATHER'S FULL NAME AT HIS BIRTH	
6	APPLICANT'S PLACE OF BIRTH	City, Town or Village		Province		Country	
7	FAMILY NAME AT BIRTH		8		OTHER FAMILY NAME(S) PREVIOUSLY USED		
9	HAVE YOU EVER HAD A SOCIAL INSURANCE NUMBER?	No <input type="checkbox"/> Yes <input type="checkbox"/>		10		IF "YES", WRITE YOUR NUMBER HERE	
						Telephone Home ()	

13 ADDRESS WHERE YOU WANT YOUR SIN CARD TO BE MAILED		City, Town or Village	Province	Postal Code
14 (If you are under 12 years of age, your parent / guardian must sign and indicate his / her relationship. If "X" is used as a signature, have two witnesses sign here).			Date	

INFORMATION COLLECTED ON THIS FORM IS USED FOR THE PURPOSE OF ISSUING SOCIAL INSURANCE NUMBERS. ITS COLLECTION IS AUTHORIZED BY THE EMPLOYMENT INSURANCE ACT. FOR MORE DETAILS ON THE USES AND RIGHTS CONCERNING INSPECTION AND CORRECTION OF THE INFORMATION, REFER TO THE PUBLICATION INFO SOURCE, BANK NO. HRDC PPU 390, AVAILABLE IN HUMAN RESOURCE CENTRES OF CANADA AND MAJOR PUBLIC LIBRARIES.

DO NOT WRITE BELOW, FOR LOCAL OFFICE USE ONLY					
A ALL NAMES AS SHOWN ON PRIMARY DOC.		Given Names		Family Name	
B DATE OF BIRTH AS SHOWN ON PRIMARY DOC.	Day 	Month 	Year 	C PRIMARY DOCUMENT SEEN	(Abbr.) (Client ID - Serial / Reg. No.) SUPPORTING DOCUMENT SEEN (Abbr.)
D PRIORITY SIN REASON		ELECTRONIC MAIL ADDRESS			
E FEE PAID Amount \$			Receipt No.		
F REMARKS			CERTIFICATION STAMP		

1. • Canadian provincial birth certificate (issued by the Vital Statistics branch of the province or territory of your birth)
- Certificate of Birth and Baptism (only for persons born and baptized in Newfoundland and Quebec). The Quebec Certificates must have been issued before January 1st, 1994.
- For Registered Indian: If you wish to have your status in Canada recorded as "Registered Indian", you must provide your Certificate of Indian Status (issued by the Department of Indian and Northern Affairs) in addition to your birth certificate.
- Canadian Immigration Record and Visa or Record of Landing (IMM 1000)
- Unexpired Immigration form entitled "Visitor Record" or "Employment Authorization" or "Student Authorization" or "Minister's Permit / Extension" (IMM 1442 or equivalent)
- Refugee Status Claim (IMM 1434) (Also issued under RDS-001, RM-001, RM-002 and RM-008 in Quebec)
- Change of name document
2. • Marriage Certificate
Exception: The marriage certificate is not acceptable for persons domiciled in Quebec and who were married in that



Human Resources
Development Canada Développement des
ressources humaines Canada

ACKNOWLEDGEMENT OF APPLICATION FOR A SOCIAL INSURANCE NUMBER

PROTECTED WHEN COMPLETED - A

The employment insurance legislation does not prevent persons from working prior to being issued a Social Insurance Number and card. It merely obliges the person who becomes employed in insurable employment before he/she is registered, to apply to the Commission for a Social Insurance Number and to produce his/her Social Insurance Number card to his/her employer within three (3) days after having received it.

Accordingly, this certifies that _____

☐ has applied for a Social Insurance Number. When the application is approved, the Social Insurance Number card will be sent to the address specified by the applicant at the time of his/her application.

☐ has been assigned a SIN _____

A Social Insurance Number card will be forwarded to the address specified by the applicant at the time of his/her application.

HRCC STAMP
(NOT certification Stamp)

Clerk's Initials ►



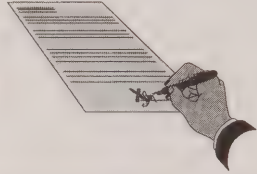
Withdrawing Pre-1998 Contributions

- If a subscriber withdraws contributions made before 1998 when the beneficiary is not in an eligible post-secondary educational institution at the time of the withdrawal, the beneficiary will be ineligible to receive the CESG for a period of time. The beneficiary would be ineligible to receive a CESG on any subscriber's contribution for the remainder of the year of the withdrawal and for the next two years. The purpose of this period of ineligibility is to discourage the withdrawal and re-contribution of the money in order to attract the CESG.
- If the named beneficiary is enrolled in an eligible post-secondary institution at the time of the withdrawal no loss of access to grant will occur.





HOW TO OBTAIN A GRANT



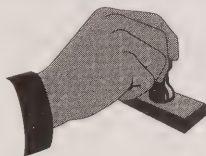
1. You have to first select an RESP on behalf of a beneficiary. Once this is done, make your contribution to the RESP and fill out the promoter's application form to apply for the CESG.



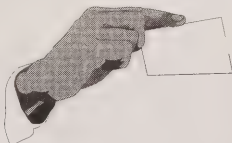
2. The promoter you have chosen applies for the grant on your behalf.



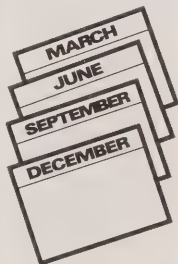
3. The CESG program processes CESG applications, and calculates the eligible grant.



4. The appropriate grant is then issued to the trustee for the promotor.



5. The trustee deposits the grant payment to your RESP account for investment as agreed with your promotor.



6. Grants are paid on a quarterly basis. For example, if an RESP contribution is made before March 31, the CESG will be paid to your RESP by the end of April. The other cutoff dates are June 30, September 30, and December 31. If RESP contributions are made by these dates, the CESG will be paid to your RESP by the end of the following month.



IMPORTANCE OF LONG-TERM SAVINGS

You may be wondering how much you need to save and how soon you should start. The answers are simple:

Save as much as you can afford.

Start today.

By starting early, tax sheltered earnings on your savings can grow surprisingly quickly. You would also earn the largest possible amount from the Canada Education Savings Grant.

Let us show you how a long-term savings plan can work for you:

Rick and Diane have a newborn named Hayley. If they put \$10 every week into Hayley's RESP, that adds up to \$520 a year. Their investment will also earn a \$104 Canada Education Savings Grant.

Over 18 years, Rick and Diane keep contributing at the same rate. They keep earning CESG on top of their own savings. If all this money grows at 5 per cent per year, Hayley will have almost \$18,000 to help pay for her education.

Of course, the amount will be even higher if Hayley's grandparents or relatives also contribute.





COMMONLY-ASKED QUESTIONS

1. How do I apply for the Canada Education Savings Grant?

See “How to obtain a grant.” (page 12)

2. Where do I get a Social Insurance Number (SIN) for the beneficiary?

You may use the enclosed SIN application form. For further information you may contact your local Human Resources Centre of Canada (HRCC). The phone number can be found in the blue pages of your phone directory under Government of Canada.

3. What happens if the beneficiary does not pursue a post-secondary education?

Here are some alternatives (and if your plan permits):

1. *You may want to leave the money in the plan for a few years in case the beneficiary reconsiders;*

2. *A new beneficiary may be named to the plan;*

- *3. *The earnings from your RESP investments may be rolled over to your RRSP or to your spousal RRSP; or*

- *4. *They may be paid to you as an Accumulated Income Payment. (Certain conditions apply to #3 and #4).*

** (Certain conditions apply to #3 and #4)*

4. Can the beneficiary of an RESP who has moved out of the country and has not maintained residency status remain eligible for the CESG?

In order to attract the CESG, the beneficiary must be a resident of Canada for tax purposes at the time the contribution is made. If you have questions concerning residency, please consult with your local Revenue Canada Tax Services Office.



ESTIMATED ACCUMULATED EDUCATION SAVINGS
with the Canada Education Savings Grant

	2 years	6 years	10 years	14 years	18 years
Weekly savings					
\$5	\$700	\$2,200	\$4,000	\$6,300	\$9,000
\$10	\$1,300	\$4,300	\$8,000	\$12,500	\$18,000
\$15	\$2,000	\$6,500	\$12,100	\$18,800	\$27,000
\$20	\$2,600	\$8,700	\$16,100	\$25,100	\$36,000
\$25	\$3,300	\$10,900	\$20,100	\$31,300	\$45,000
\$30	\$3,900	\$13,000	\$24,100	\$37,600	\$54,000
\$35	\$4,600	\$15,200	\$28,100	\$43,900	\$63,000

Assumed average annual effective long term rate of return.



GLOSSARY OF TERMS

(Please refer to the Income Tax Act for formal definitions of these terms)

Accumulated Income Payment (AIP) – “Accumulated income payments” are payments to the subscriber out of the plan’s investment earnings, including earnings on the grant. An AIP can only be made if the plan has been in existence for 10 years; all beneficiaries past and present must be 21 years of age and not pursuing post-secondary education; and the subscriber must be a resident of Canada. These conditions may be waived under certain circumstances (e.g. deceased or mentally-impaired beneficiary). AIPs are taxable income for the subscriber and are subject to an additional twenty per cent tax unless rolled over into an RRSP.

Beneficiary – A “beneficiary” under a Registered Education Savings Plan is the individual named by the subscriber who will receive Educational Assistance Payments when the individual qualifies for these payments under the terms of the plan.

Educational Assistance Payment (EAP) – An “Educational Assistance Payment” means any amount paid or payable under an RESP to or for an individual (called the beneficiary) to assist with the individual’s education at the post-secondary level. An EAP consists of investment income and the grant. These amounts do not include refunds of contributions made to the subscriber of the plan. At the time of the EAP, the beneficiary must be enrolled in a qualifying educational program at a post-secondary institution as a full time student. (Physically impaired students do not have to be enrolled full time.)



CESG Contribution Room – Each child who is resident in Canada begins to accumulate “contribution room” at a rate of \$400/yr to age 17 (includes year child turns 17). This room accumulates whether or not the child is currently an RESP beneficiary.

Promoter – A Promoter can be any person/organization offering a Registered Education Savings Plan to the public.

Trustee – The *Income Tax Act* requires *RESP* funds to be held by a corporation licensed to be a trustee. The trustee is engaged by the *promoter* and can be the *promoter*. The *CESG* will be provided directly to the plan trustee.

Subscriber (a.k.a. contributor) – A person who enters into an RESP contract with the promoter is a subscriber. The subscriber agrees to contribute to the contract on behalf of an individual named under the plan as the beneficiary. If the plan permits, spouses can be joint subscribers. Note: The subscriber has to be a person. Therefore, a corporation, trust, church, or charity could not be a subscriber.

Individual Non-Family RESP – The terms of this RESP give the subscriber the freedom to determine when and how much to contribute to the plan and when to direct the promoter to pay Educational Assistance Payments (EAPs). Under this arrangement you can have only one beneficiary at any time. The beneficiary does not have to be related to the subscriber and can be over 21 when named.

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Group RESP – Group plans are operated on a pooling principle where the beneficiary named under a contract by a subscriber will receive Educational Assistance Payments when enrolled in a qualifying program. Note, however, that if the beneficiary fails to qualify for payment, the earnings are distributed among other beneficiaries of the same age who do qualify.





GET MORE INFORMATION TODAY

For more information on the Canada Education Savings Grant, call toll-free:

1-888-276-3624 (English)

1-888-276-3632 (French)

or visit our website at

<http://www.hrdc-drhc.gc.ca/cesg> (English)

<http://www.hrdc-drhc.gc.ca/scee> (French)

The Government of Canada is committed to the higher education of Canada's children. For more information on other Government of Canada programs, contact the following:

Youth Employment Strategy (YES)

Youth Info Line 1-800-965-5555

Canada Student Loans Program (CSLP)

Canada Study Grants

1-800-432-7377 (English)

1-800-733-3765 (French)

Human Resources Development Canada

<http://www.hrdc-drhc.gc.ca>

Or visit your local Human Resource Centre of Canada (HRCC).



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